

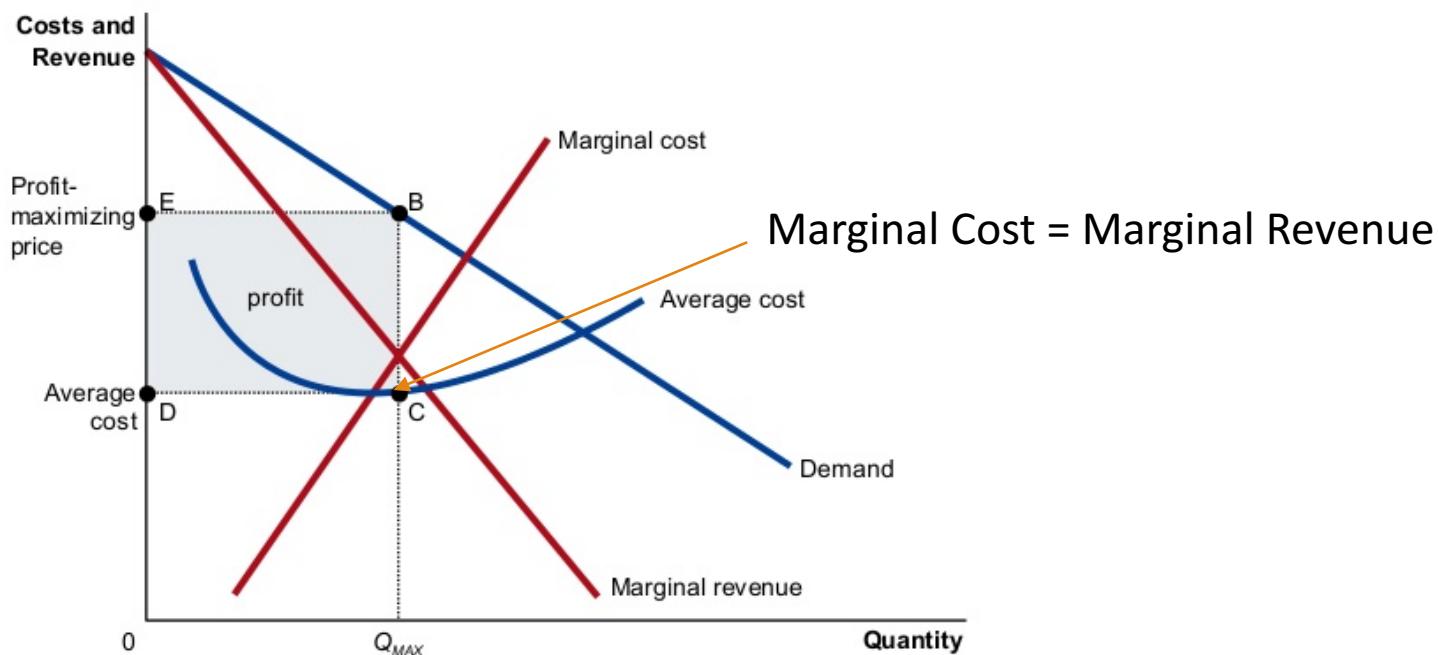
Steam Store

“GET DAT MONEY”



Traditional profit maximization

Profit: downward-sloping demand of price-setting firm



But what about when marginal cost doesn't increase?

Digital goods have high development cost, but negligible variable costs

Commonly seen strategies:

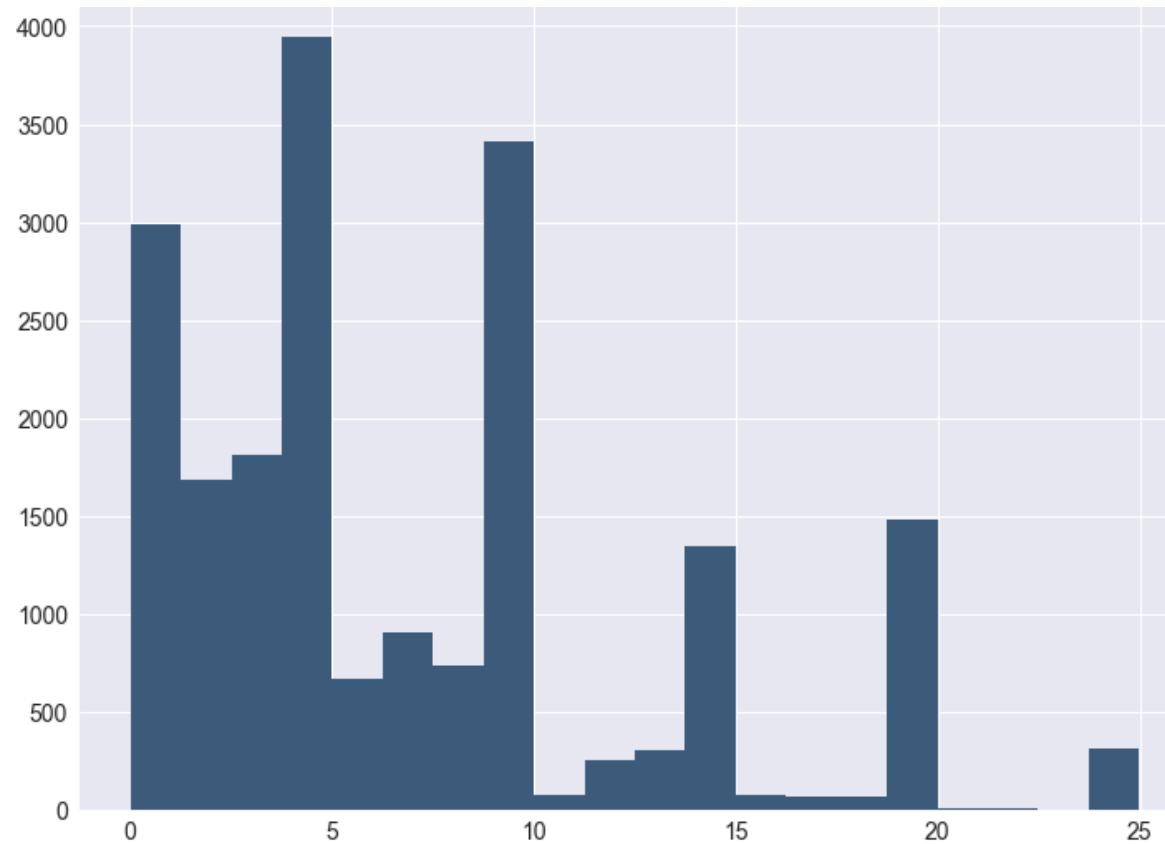
- Low pricing per unit
- freemium pricing
- Bundling
- Step down pricing

The Steam Store

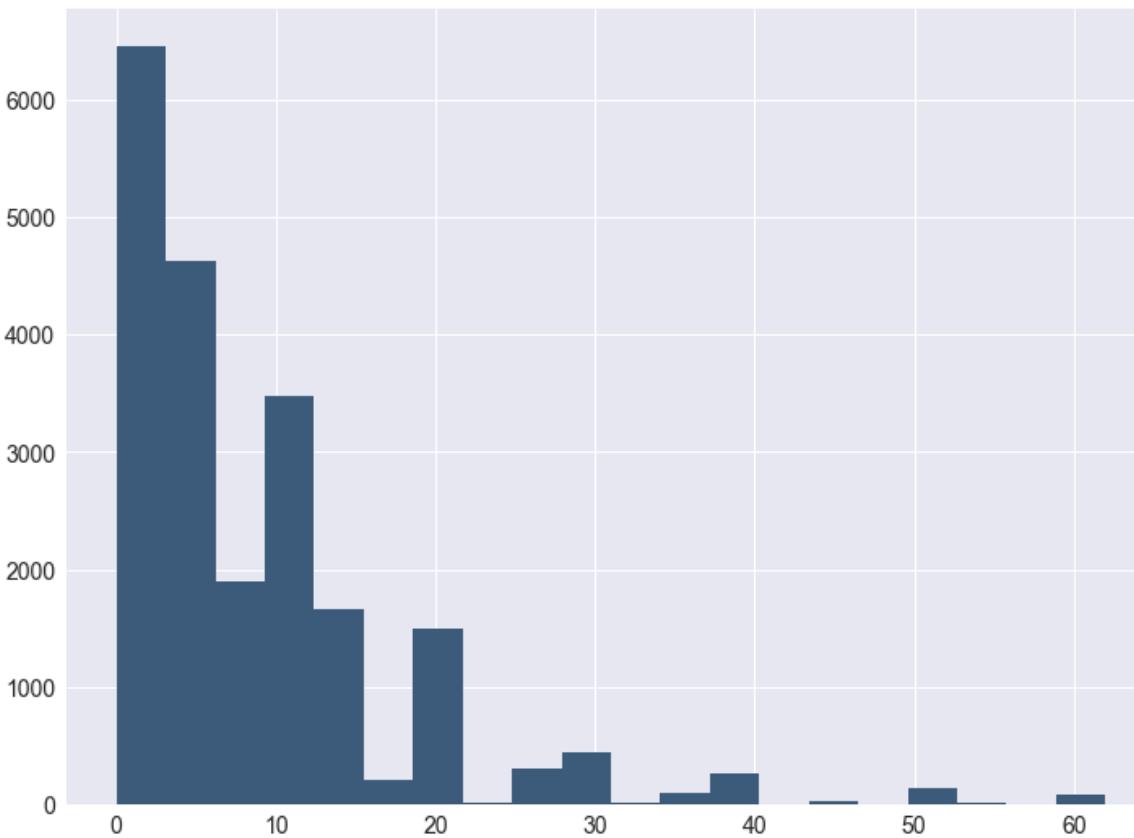
What is Steam?

- The “app store” for PC games
 - 67 million monthly active players.
 - Steam is averaging 14 million concurrent users per day
 - Valve reported 125 million total active lifetime users last year. (april 2016)

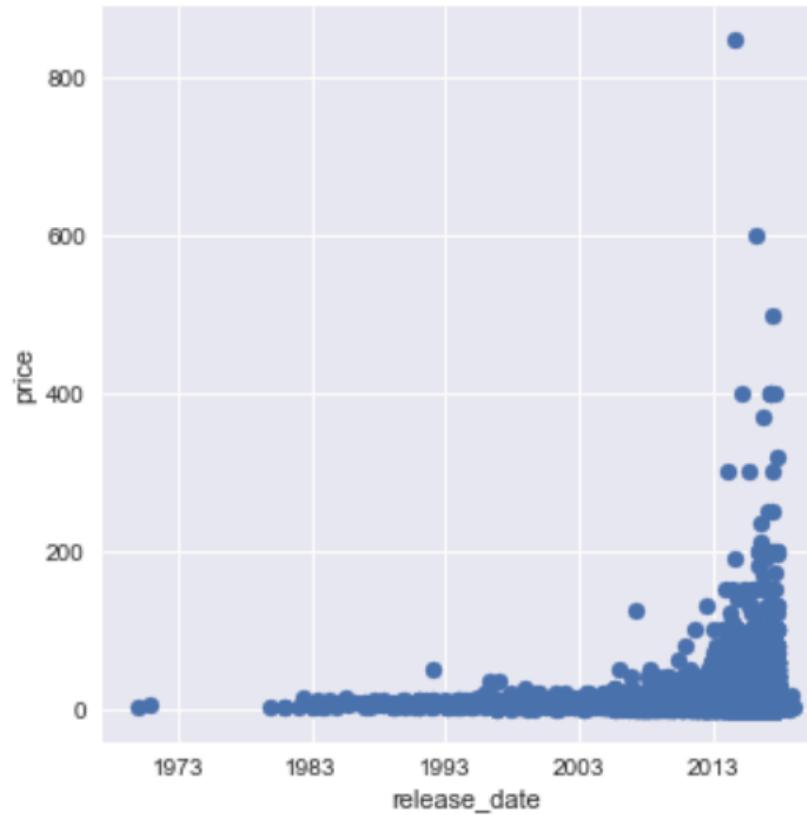
Price vs total products under \$25



Price vs total products under \$60

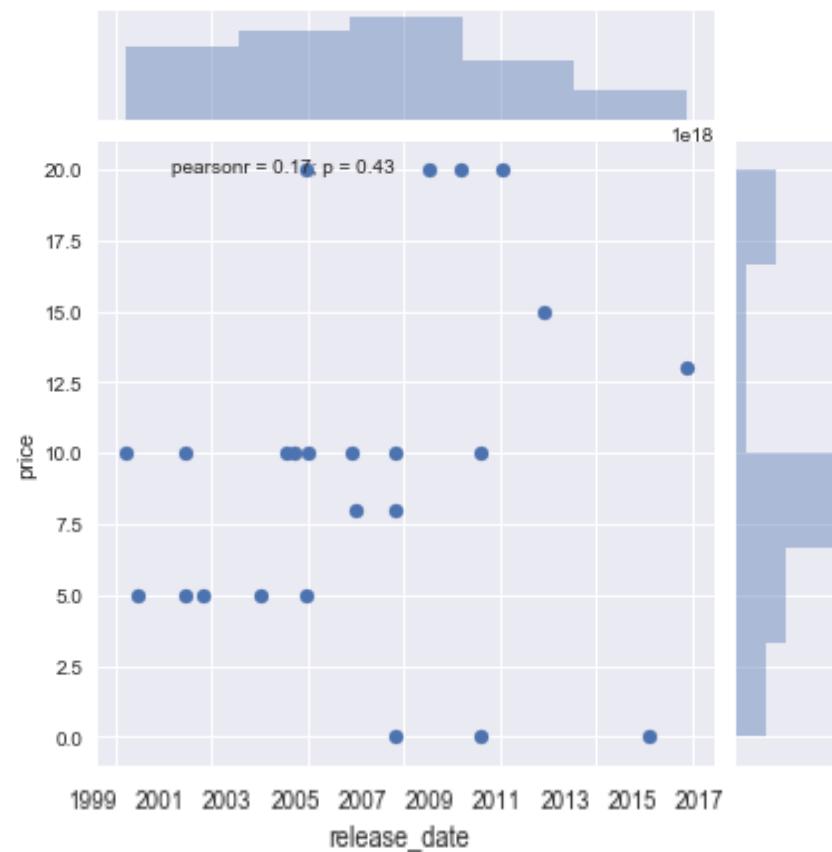


Price vs. Release Date (step down pricing)

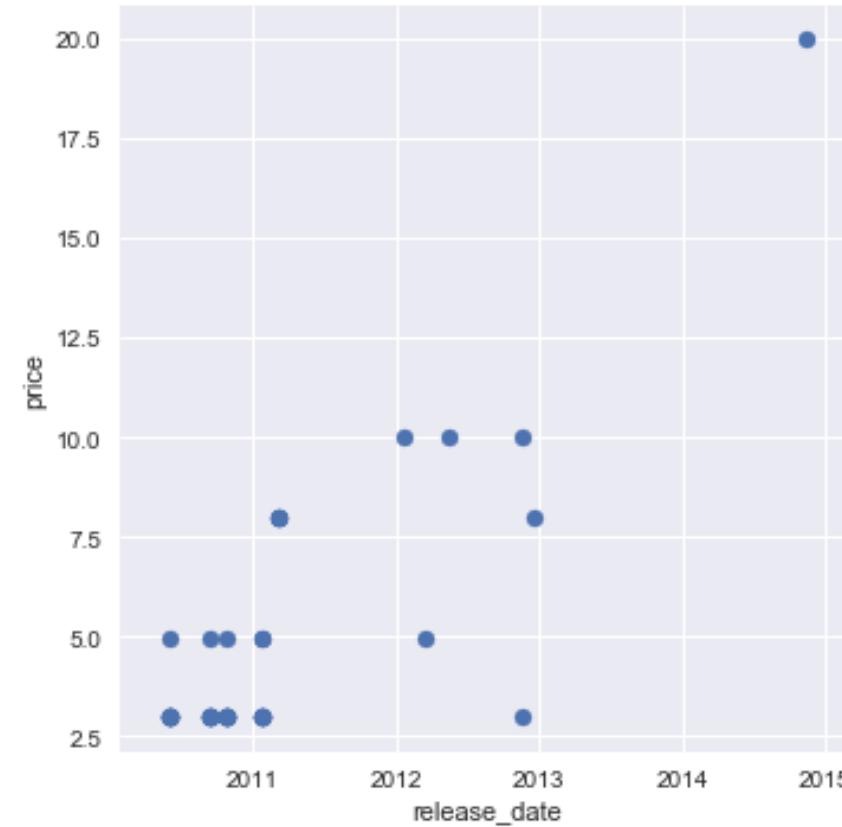


price	product	release_date
9.99	Half-Life	1998-11-08
4.99	Team Fortress Classic	1999-04-01
9.99	Counter-Strike	2000-11-01
4.99	Ricochet	2000-11-01
4.99	Deathmatch Classic	2001-06-01
4.99	Day of Defeat	2003-05-01
9.99	Counter-Strike: Condition Zero	2004-03-01
9.99	Half-Life: Source	2004-06-01
19.99	Counter-Strike: Source	2004-11-01
4.99	Half-Life 2: Deathmatch	2004-11-01
9.99	Half-Life 2	2004-11-16
NaN	Half-Life 2: Lost Coast	2005-10-27
9.99	Half-Life Deathmatch: Source	2006-05-01
7.99	Half-Life 2: Episode One	2006-06-01
0.00	Team Fortress 2	2007-10-10
7.99	Half-Life 2: Episode Two	2007-10-10
9.99	Portal	2007-10-10
19.99	Left 4 Dead	2008-11-17
19.99	Left 4 Dead 2	2009-11-16
9.99	Day of Defeat: Source	2010-07-12
0.00	Alien Swarm	2010-07-19
19.99	Portal 2	2011-04-18

Valve



SEGA “We sell nostalgia!”



Sega "We sell in bundles too!"

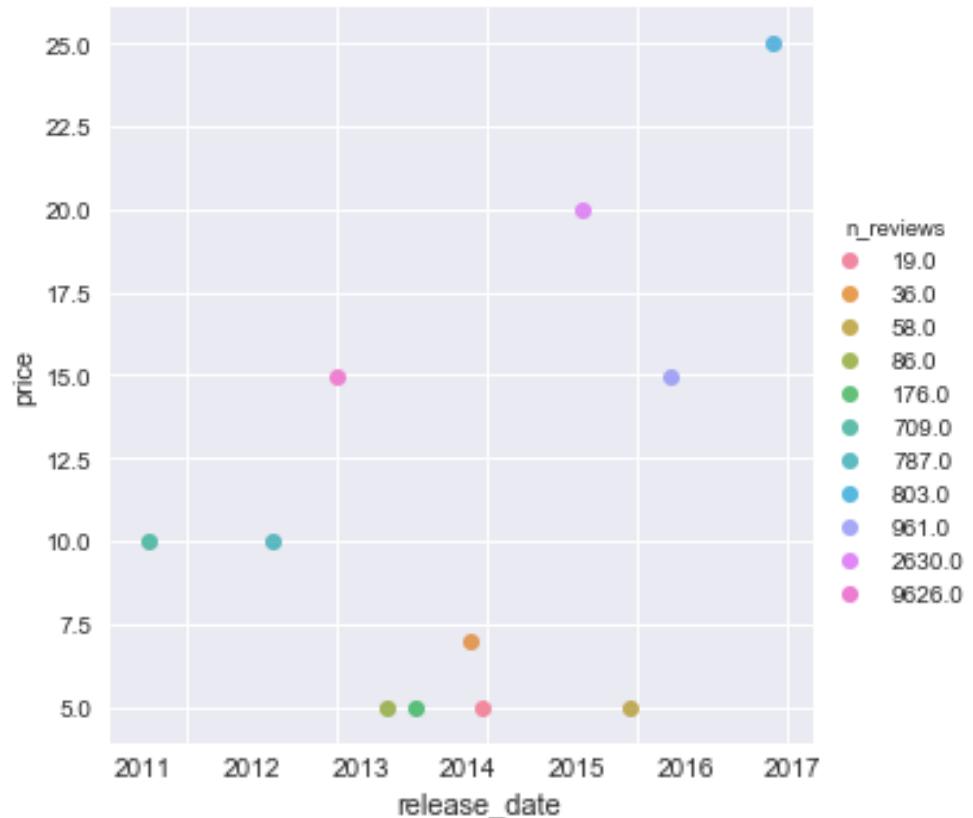
Buy SEGA Mega Drive and Genesis Classics 

Includes 59 Items: Alex Kidd™ in the Enchanted Castle, Alien Soldier, Alien Storm, Altered Beast™, Beyond Oasis, Bio-Hazard Battle™, Bonanza Bros.™, Columns™, Columns™ III, Comix Zone™, Crack Down™, Decap Attack™, Dr. Robotnik's Mean Bean Machine™, Dynamite Headdy, Ecco the Dolphin™, Ecco™ Jr., Ecco™: The Tides of Time, ESWAT™: City Under Siege, Eternal Champions™, Fatal Labyrinth™, Flicky™, Gain Ground™, Galaxy Force II™, Golden Axe III, Golden Axe™, Golden Axe™ II, Gunstar Heroes, Kid Chameleon™, Landstalker: The Treasures of King Nole, Light Crusader, Phantasy Star II, Phantasy Star III: Generations of Doom, Phantasy Star IV: The End of the Millennium, Ristar™, Shadow Dancer™, Shining Force, Shining Force II, Shining in the Darkness, Shinobi™ III: Return of the Ninja Master, Sonic 3 & Knuckles, Sonic 3D Blast™, Sonic CD, Sonic Spinball™, Sonic The Hedgehog, Sonic The Hedgehog 2, Space Harrier™ II, Streets of Rage, Streets of Rage 2, Streets of Rage 3, Super Thunder Blade™, Sword of Vermilion™, The Revenge of Shinobi, ToeJam & Earl, ToeJam & Earl in Panic on Funkotron, VectorMan 2, VectorMan™, Virtua Fighter™ 2, Wonder Boy III: Monster Lair, Wonder Boy in Monster World

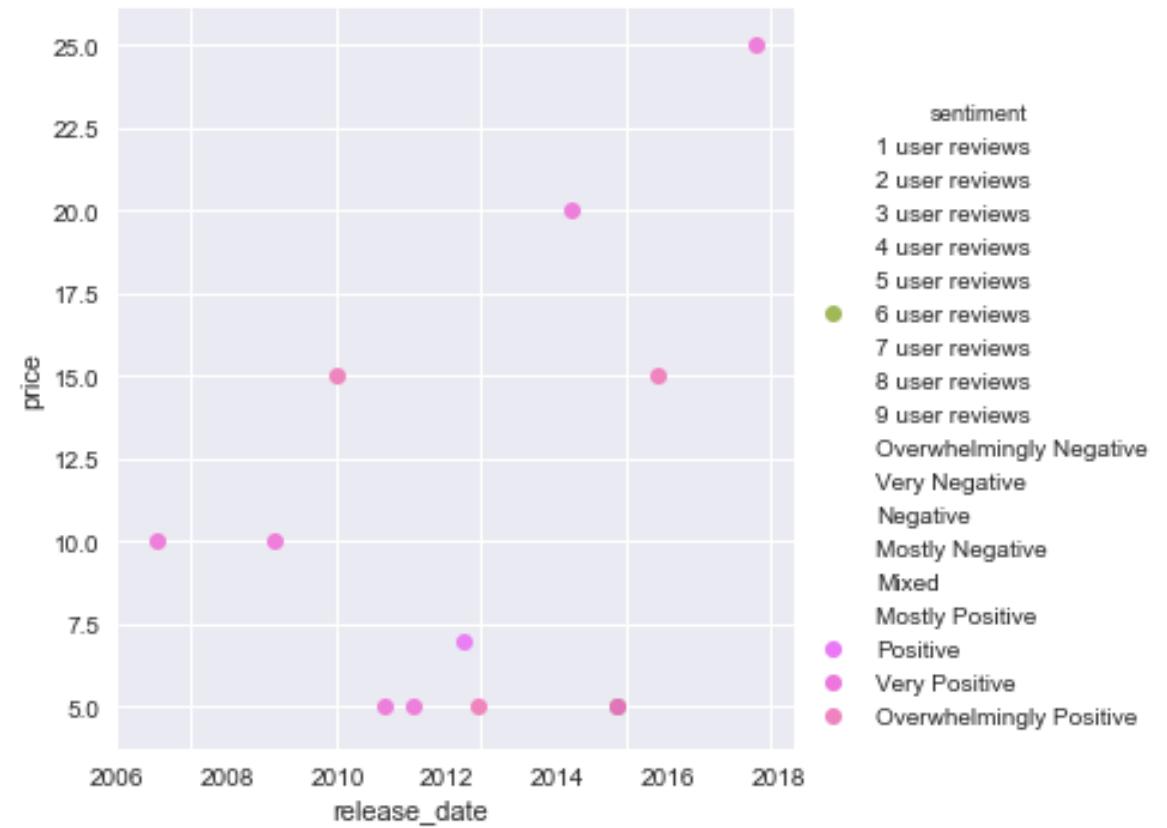
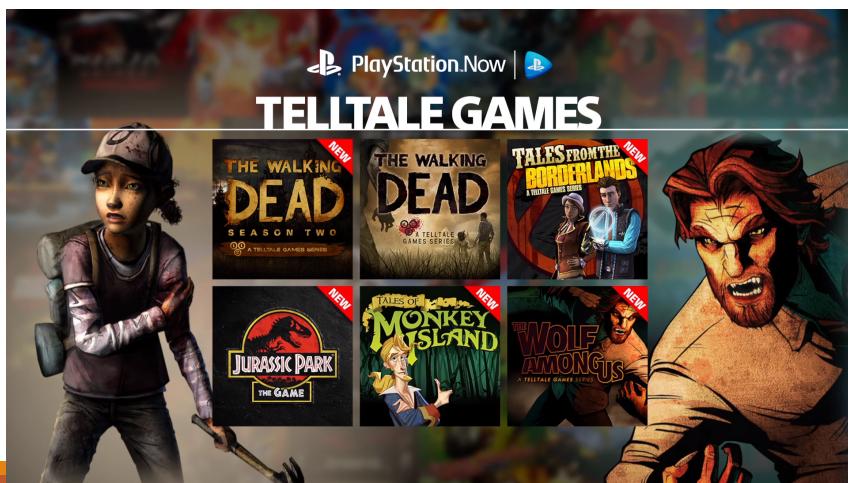
[Package info](#) \$61.99 [Add to Cart](#)

Klei Entertainment

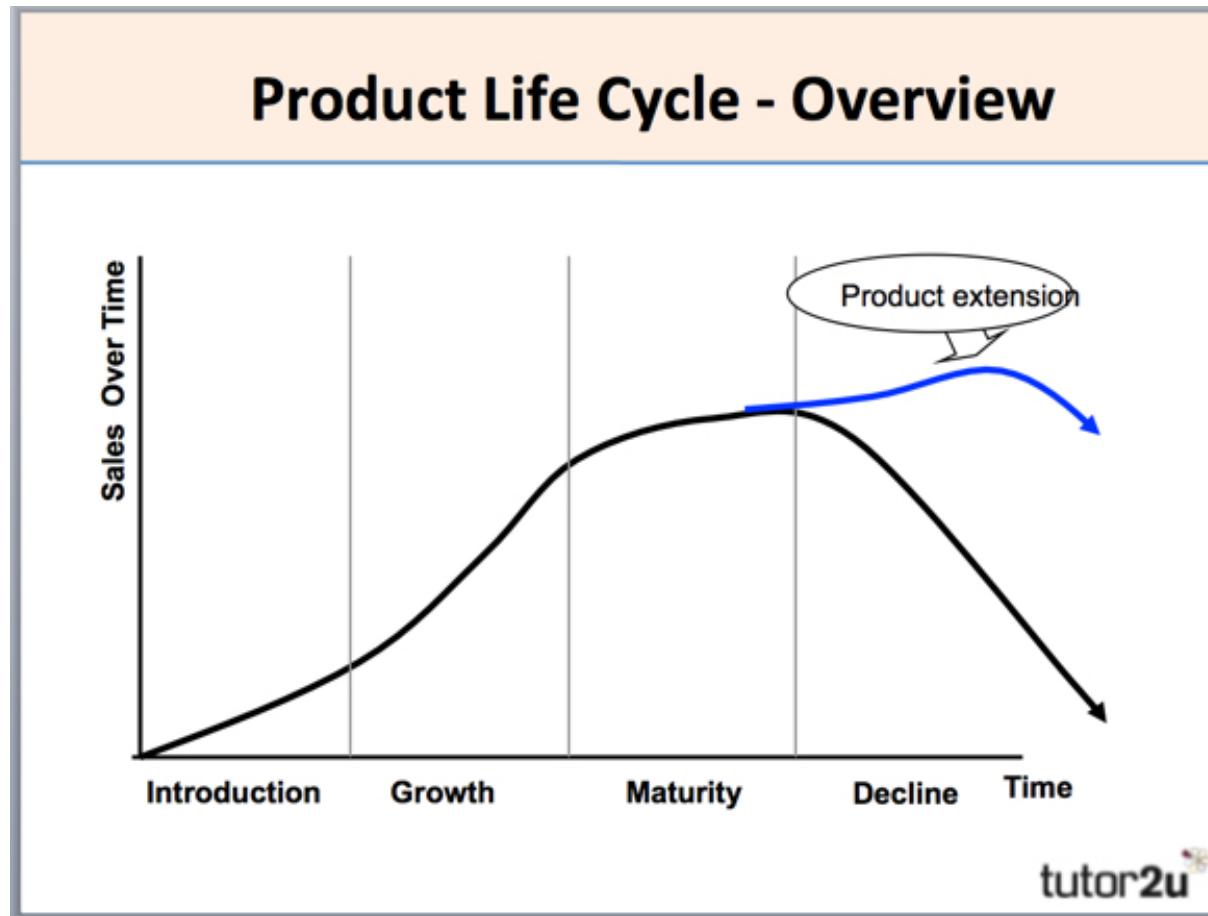
price	product	release_date
9.99	Shank	2010-10-25
9.99	Shank 2	2012-02-07
14.99	Mark of the Ninja	2012-10-16
4.99	Don't Starve Soundtrack	2013-04-23
4.99	Mark of the Ninja: Special Edition DLC	2013-08-16
6.99	Eets Munchies	2014-03-11
4.99	Don't Starve: Reign of Giants	2014-04-30
19.99	Invisible, Inc.	2015-05-12
4.99	Invisible, Inc. Soundtrack	2015-11-12
4.99	Invisible, Inc. Contingency Plan	2015-11-12
14.99	Don't Starve Together	2016-04-21
24.99	Oxygen Not Included	2017-05-18



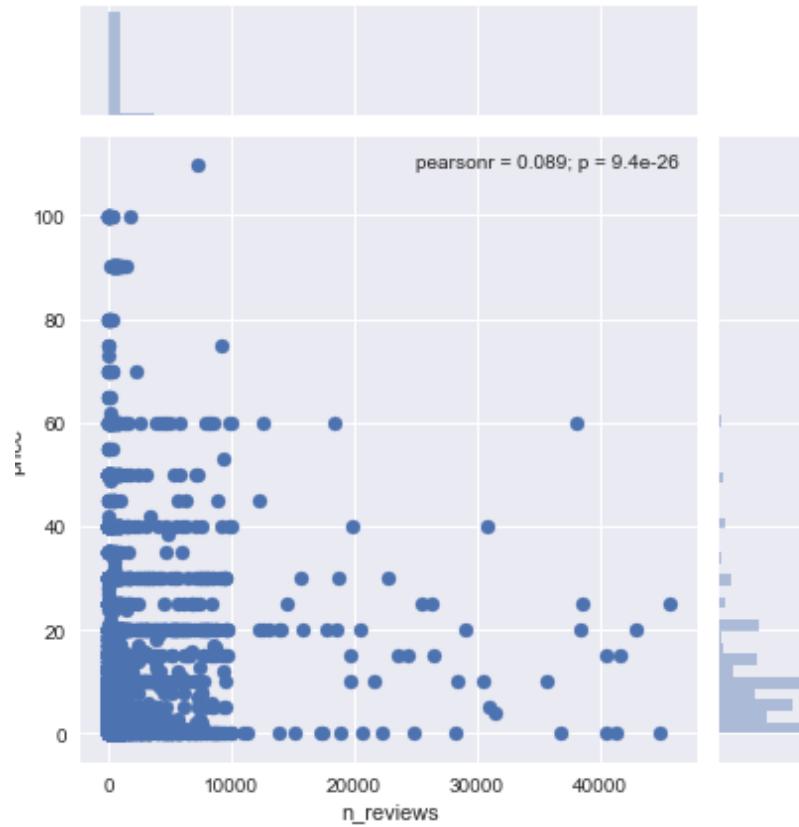
Telltale Games



So why reduce price? Why bundle?



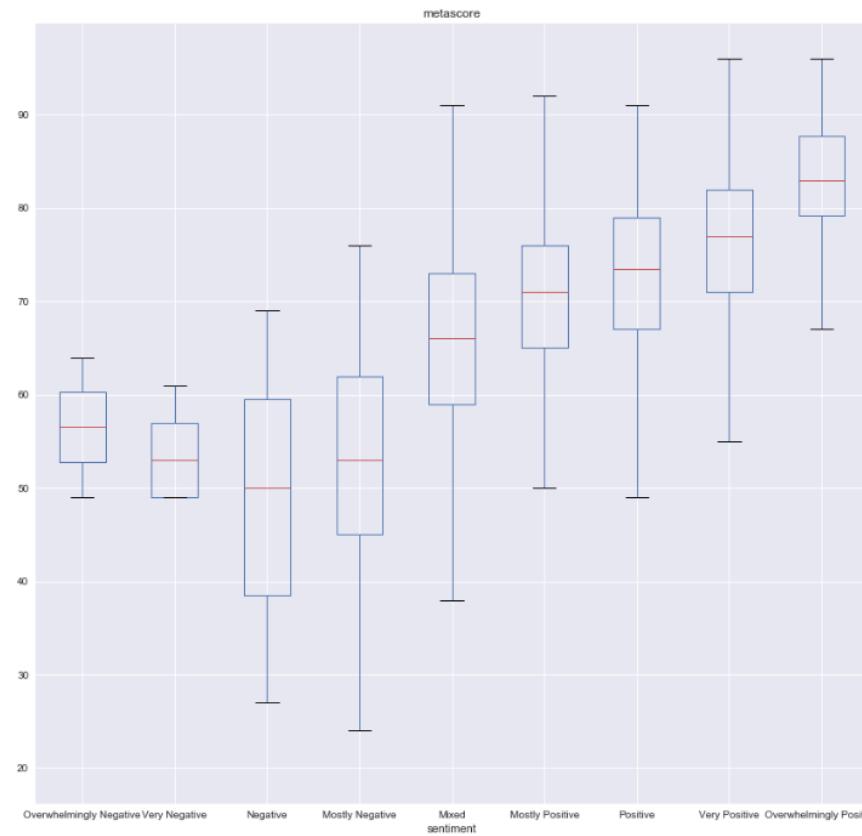
Further Exploration: Reviews vs. Price



Reviews vs Price continued

sentiment	price								
	count	mean	std	min	25%	50%	75%	max	
1 user reviews	1755.0	7.553783	13.175336	0.0	2.99	3.99	7.99	199.99	
2 user reviews	1230.0	8.354569	15.282288	0.0	2.99	4.99	9.99	299.99	
3 user reviews	944.0	8.712617	20.633205	0.0	2.99	4.99	9.99	399.00	
4 user reviews	751.0	9.011997	12.809838	0.0	2.99	4.99	9.99	149.99	
5 user reviews	651.0	9.994270	21.488546	0.0	2.99	4.99	9.99	399.99	
6 user reviews	598.0	8.047174	9.928185	0.0	2.99	4.99	9.99	119.99	
7 user reviews	517.0	7.304662	9.768001	0.0	1.99	4.99	9.99	109.99	
8 user reviews	441.0	9.562993	13.524602	0.0	2.49	4.99	9.99	99.99	
9 user reviews	431.0	8.600487	8.578834	0.0	2.99	4.99	9.99	59.99	
Overwhelmingly Negative	6.0	7.991667	7.068806	0.0	3.49	7.49	9.99	19.99	
Very Negative	29.0	9.887931	7.516407	0.0	2.99	9.99	14.99	29.99	
Negative	118.0	7.907458	7.824790	0.0	2.24	4.99	9.99	59.99	
Mostly Negative	753.0	8.173214	9.987787	0.0	1.99	4.99	9.99	139.92	
Mixed	3666.0	10.666217	23.042339	0.0	1.99	5.99	12.99	847.68	
Mostly Positive	2479.0	11.314248	14.708577	0.0	2.99	7.99	14.99	299.99	
Positive	2885.0	8.825095	11.619337	0.0	2.99	5.99	9.99	189.00	
Very Positive	3600.0	11.750539	13.638637	0.0	4.99	9.99	14.99	299.99	
Overwhelmingly Positive	281.0	12.736263	9.392330	0.0	4.99	9.99	19.99	49.99	

Critical Reviews vs Player Reviews



Player Reviews vs Price

